Nova Scotia Budget Address

For the fiscal year 2009–2010

The Honourable Graham Steele
Minister of Finance

NOVA SCOTIA
Finance

Introduction

It is a privilege to present to this House, and to Nova Scotians, the budget for 2009–2010.

While it is the *first* budget tabled by this government, Mr. Speaker, we do not consider it to be *our* budget.

This budget is substantially the same as the budget introduced last May 4th.

With almost half the fiscal year gone, a major portion of our costs fixed in salaries, and an economy needing a measured dose of stimulus spending to spur growth, there was little room to alter the course that had already been set for this fiscal year.

To do so would have introduced uncertainty and instability in the midst of a recession.

We said we would honour the commitments of the former government. And we will.

It's the responsible thing to do.

A new direction

While this budget has been shaped by the past, it also signals a new direction for the future.

Mr. Speaker, if this budget seems familiar, it may be because of echoes from a budget introduced a decade ago.

In 1999, another finance minister stood in this house and outlined the issues facing another new government.

He vowed "to present an honest accounting of the province's finances so that Nova Scotians might easily understand the magnitude of the challenges that we all face."

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He went on to say that "It is no longer possible for the bottom line to be coloured by politics."

Mr. Speaker, we couldn't agree more.

Il y a dix ans, le ministre des finances était Neil LeBlanc et il croyait, tout comme nous, que les Néo-Écossais méritaient une description fidèle de l'état des finances de la province.

The finance minister of a decade ago was Neil LeBlanc who believed, as do we, that Nova Scotians deserve an accurate representation of the state of the province's finances.

C'est la seule façon de continuer à bâtir un rapport de confiance avec tous les Néo-Écossais.

It's the only way we can continue to build a foundation of trust with Nova Scotians.

Unsustainable Path

Ten years ago, the government of the day understood too well that we were on an unsustainable path.

They took some of the steps necessary to change direction; they called it a "clear course."

Unfortunately, in the last few years, the former government went off course.

They put us on a path that is, once again, unsustainable.

Within weeks of taking office, we kept our commitment to commission an independent review of the province's finances.

The Deloitte report confirmed what we had suspected.

If left unchecked, the province was facing a projected annual deficit of $1,300,000,000 by 2012–2013.

In the same time frame, the provincial debt would reach $16,800,000,000.

This government will not allow that to happen, Mr. Speaker. We will not follow down that unsustainable path.

Live within our means

We will begin by living up to our commitment to live within our means.

Just a few days ago, in the Speech from the Throne, our government outlined our vision for this province, for the future.

We will make the most of the opportunities we have.

Nova Scotia will be a leader.

And this government will focus on the issues that matter most to Nova Scotians.

Economic Outlook

Though the global financial crisis originated outside Canada, we are feeling the impact here at home.

The outlook for the Canadian economy is clouded by declining exports, shrinking corporate profits, and falling business investment. National unemployment is up over 2 percentage points. However, a gradual national recovery is expected during the second half of 2009, followed by moderate real GDP growth in 2010.

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Nova Scotia has not escaped the recession, Mr. Speaker; however, the impact has not been felt as acutely here as it has in other provinces, due to government investments and a more resilient and diverse economy.

After strong growth of 2.8 per cent in 2008, the provincial forecast calls for real GDP growth of only 0.3 per cent in 2009 and 1.8 per cent in 2010.

Employment is expected to increase by 1.3 per cent in 2009 and by 0.3 per cent in 2010.

While corporate profits are projected to decline by 25 per cent in 2009, they are expected to rebound by 11.6 per cent in 2010. Exports are projected to fall by almost 15 per cent in 2009, with a partial recovery of 5 per cent in 2010.

While there is reason for optimism, there are many factors that could stall our recovery. Further financial market instability, a rising Canadian dollar, or delays in major investment projects could slow our expected rebound.

Keeping the people's trust

That is why every decision we make will be influenced by the need to keep the people's trust, to manage our finances, and our future, wisely.

Today's numbers show us just how challenging our task will be.

They reflect the economic downturn we, and every other jurisdiction, have experienced over the last several months.

Revenues and Expenditures

As expected, Mr. Speaker, the numbers relating to our revenues and expenditures have changed since May. This budget presents a more accurate picture of the province's finances than the previous one.

The fact is, Mr. Speaker, despite what was presented in this House in May, the province was not then, and is not now, in a surplus position for 2009–2010.

We are forecasting a deficit of $592,100,000 for this fiscal year.

There are several components to this deficit.

The largest single change from the May 4th budget is that we are including a provision in 2009–2010 for the previous government's memorandum of understanding with the universities.

The previous government decided to shift most of this year's university funding to the previous year, a confusing decision that was no fault of the universities. That left almost two years' funding in last year's budget, and very little in this year's.

Within the context of our work to make Nova Scotia a learning province, we want to restore the practice of providing one year's funding for universities in each provincial budget.

Therefore, we are budgeting an additional $341,000,000 this year to bring the province's obligations under the MOU to an orderly conclusion. This will satisfy the previous government's financial commitment to the universities until the spring of 2011. After that time, government can return to clear, accountable annual payments.

The second-largest factor in this year's deficit is a decrease in revenue of $125,000,000 since May 4th. Since we are almost halfway through the fiscal year, the updated forecasts now available are more accurate.

For 2009–2010, we estimate revenues to be $8,412,000,000, a slight decrease over last year.

Equalization revenues are at last year's levels, and are estimated to be $1,465,000,000 for 2009–2010.

Due to changes in the federal equalization formula, payments to Nova Scotia are expected to decline in the range of $200,000,000 next year. Since equalization makes up 17 per cent of provincial revenues, this will add to the challenges we face.

Mr. Speaker, since the budget was tabled in May, changes in economic variables plus targeted program changes have decreased revenues. Personal income tax has declined by almost $29,000,000. Harmonized sales tax is down by $19,000,000. Tobacco tax is down by $5,600,000. Motive fuel tax declined by $1,900,000, while our offshore royalties are almost **$45,000,000** less than was forecast in May, well over 50 per cent lower than in the previous year.

Corporate income tax increased by $3,500,000.

We will recover $43,600,000 less than anticipated under the former government's capital spending program in this fiscal year.

While the delay in recovering the funds is unfortunate, I am pleased to say that we are keeping our commitment, and maximizing the federal dollars available for capital projects. We will capitalize on every available dollar of federal funds. We are keeping people working, Mr. Speaker, and the economy moving.

We plan to spend $796,000,000 to build and repair roads and bridges, schools and health-care facilities, housing and more.

The province is scheduled to spend $325,000,000 on highway construction and major maintenance projects this year, surpassing last year's amount by over $140,000,000 and making this year's highway improvement plan one of the largest in the province's history.

Maximize federal dollars

Mr. Speaker, we promised to maximize federal dollars available for capital projects, and we have done so. I am pleased to report that our estimates for cost-shared revenues have risen from $65,000,000 in 2008–2009 to $137,000,000 for this fiscal year.

On the expenditure side, our total expenses are estimated to be $9,004,000,000.

The third-largest contributor to this year's deficit is the fact that the previous government's budget did not include funding, or did not include enough funding, for a number of programs. We cannot explain why the previous government's budget did not include provision for these expenses, which they knew, or should have known, would be incurred.

Monsieur le Président, permettez-moi de présenter certaines de ces dépenses.

Mr. Speaker, permit me to outline what some of these upcoming expenses will include.

Nous allons accorder des fonds en préparation pour la grippe H1N1. Il est essentiel de faire de notre mieux pour composer avec cette importante menace à la santé publique et pour protéger la santé des Néo-Écossais.

We are providing funds to prepare for H1N1. It is essential that we deal with this significant public health threat and protect the health of Nova Scotians to the best of our ability.

There were costs relating to the conversion of several hundred casual staff persons to permanent status, as well as wage adjustments due to reclassifications.

Expenses and the accompanying severance costs relating to the election account for $10,600,000.

The Energuide Program has proven to be enormously popular, as Nova Scotians take advantage of the opportunity to make their homes more energy efficient.

The additional costs relating to this program are $8,300,000, Mr. Speaker.

Thirteen million more will be made available to the Industrial Expansion Fund, compared to the earlier estimate.

The fund has, among other things, helped companies like Irving Shipbuilding to secure the contract to build nine patrol vessels. This $194,000,000 project will employ 150 Nova Scotians and will provide opportunities for 50 local companies to bid on $32,000,000 in needed goods and services.

We believe the IEF *can* be an important tool that will help to create the secure jobs Nova Scotia's economy needs.

Accountable and transparent

We also believe that accountability and transparency must be built into the process.

That's why the Minister of Economic and Rural Development will soon bring forward a plan to ensure that an independent analysis of potential projects is included in the IEF decision-making process.

This independent analysis will better protect the public purse and will ensure that the taxpayers of the province are receiving the best possible return on their investments in our economy, and our communities.

We are also accelerating our investments in municipal and university infrastructure.

Provincial cost-shared funding of $7,000,000, originally targeted for future years, will now be provided to municipalities in 2009–2010 through the Building Canada Fund and the Municipal Rural Infrastructure Fund. In addition, our total matching funds to universities for infrastructure, which meets our obligations under the Knowledge Infrastructure Program, will be $18,500,000 this year.

Finally, Mr. Speaker, we are setting aside $81,300,000 to fund land purchases and land improvements. We believe there are some significant opportunities to purchase land that will enrich our environment, boost our economy, and contribute to achieving our goal of protecting at least 12 per cent of the province's land mass by 2015. These are opportunities that are not to be missed. We are able to make this historic investment while still holding our total capital budget to less than the May 4th budget.

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Making Life Better for Families

Mr. Speaker, we promised Nova Scotians that we would make life better for today's families.

We take that commitment seriously.

And, Mr. Speaker, in this budget, we are keeping the commitments we said would be kept in this fiscal year. Every single one of them.

Keeping our commitments

We said we would do it, and we have done it.

At a cost $31,800,000 in this fiscal year, our commitments are designed to improve the lives of Nova Scotians. And, as committed, they have been funded through existing budgets.

We have long said that the essentials of life should not be taxed. That's why the provincial portion of the HST has been removed from basic home electricity, starting on October 1st. And once it is off, Mr. Speaker, it will stay off.

This initiative will put $15,000,000 back into Nova Scotian households throughout this winter heating season.

We are also providing a rebate on new home construction, to keep our economy moving and our young people here at home.

This initiative will put $10,500,000 back into the hands of Nova Scotians. Already, more than 800 Nova Scotians have applied for this program. It's doing as it was intended. Buyers are buying and builders are building.

Our fiscal health will be fueled by growth in the economy.

To build strong communities and encourage further investment, we're boosting the equity tax credit by $1,000,000. The rate of the tax credit will be increased from 30 to 35 per cent of the value of eligible investments made starting in January 2010. We expect this credit will return $7,900,000 to investors in local businesses in 2010.

To increase competitiveness, we are fulfilling another key commitment by providing a 10 per cent credit to businesses in the manufacturing and processing sectors. At an annual cost of $25,000,000, the program will begin in January 2010, and will help manufacturers boost productivity and create secure jobs for Nova Scotians.

And we are encouraging our best and brightest to stay and thrive here at home.

On January 1, 2009, a Graduate Retention Rebate became effective, replacing the graduate tax credit. This rebate provides an improved incentive for graduates choosing to work in Nova Scotia.

Those graduating with a degree will be able to deduct up to $2,500 per year over a six-year period, providing potential tax savings up to $15,000. Students with a diploma or certificate will be able to deduct up to $1,250 over a six-year period, potentially saving $7,500 in taxes.

We will relieve the anxiety felt by families who must travel for life-saving health care. A $750,000 fund will be created to help families with accommodation costs when they must travel out of province.

As the House heard earlier this week, a provincial advisor is now in place to lead emergency care improvement.

We will also end the practice of taking security deposits from seniors as they enter long-term care facilities.

The fact is that **we are keeping every single one of our commitments** with funding from existing budgets.

About $13,000,000 came from savings put forward by departments, including everything from delays in program startups to administrative savings.

We have also realized $5,100,000 savings in amortization and operating costs relating to our capital program, as well as $13,500,000 in debt-servicing costs.

Like almost every other jurisdiction in the country, in these challenging economic times, we will be running a deficit this year.

As a result, we will follow the advice provided by the Deloitte report and will change the Provincial Finance Act.

The pertinent sections of the act will be repealed, to acknowledge the reality that the previous government's budget was in deficit and to permit the use of our Offshore Offset for the programs and services that are important to Nova Scotians.

While this is not a welcome step, it is a necessary one, reflecting the true state of the province's finances. It also echoes the legislative changes that were needed in 1999, when the government of that day had to recognize the sizeable deficit that was left for them.

A Secure Future

Our economy is just emerging from a global downturn. While we were fortunate that we fared better than many other jurisdictions, far too many Nova Scotians felt the pain of job loss and the fear of an uncertain tomorrow.

We will not add to that anxiety by making drastic cuts to programs and services.

As I indicated, we are keeping almost all of the commitments of the former government, including the tax changes previously announced.

We will set a course today that ensures a more secure future, and a brighter tomorrow.

Secure future, brighter tomorrow

We will use the expertise of our economic advisory panel to help us manage the very serious fiscal challenges we face.

We will need a strategic, disciplined approach as we move forward.

Nous devons aussi trouver des moyens de stimuler un développement économique renouvelé, à court et à moyen termes.

La tâche ne sera pas facile, Monsieur le Président. Nous devons être prêts à examiner toutes les options stratégiques à notre disposition afin de relever les défis financiers qui ont été si clairement mis en évidence pour nous dans le rapport de Deloitte.

We also need to find ways to stimulate renewed economic development over the short and medium term.

The task is not an easy one, Mr. Speaker. We must be prepared to examine every policy option open to us to meet the fiscal challenges that have been so clearly outlined for us in the Deloitte report.

We will take a commonsense approach to expenditure management, beginning with ourselves.

In this fiscal year, we will realize $800,000 in savings with a smaller Cabinet and fewer political staff.

We are freezing the wages of MLAs, political staff, and senior public servants for at least two years.

Retiring MLAs will no longer keep the furniture and equipment paid for by the taxpayers; rather, it will remain the property of the province. As well, they will no longer be provided with the tax-free $45,000 severance upon leaving office.

We have taken this action, because as the Premier has said, it is the right thing to do.

We have also begun a program that will examine every aspect of government spending.

Led by senior officials within government, this group will find ways to be more efficient, more effective.

It's about using technology to transform government.

A government of the 21st century that recognizes how important it is to work with our federal and municipal partners to identify new and better ways to deliver service.

Through innovation and smart planning, we will find ways to reduce costs and to make government more accessible.

The road to fiscal recovery is not a journey we can make alone.

It will require patience. It will require the co-operation of our funded partners.

We will need the full and active participation of our school boards, district health authorities, and other government-funded agencies, boards, and commissions as we pursue every opportunity to spend smarter and be accountable to those we serve.

We also want to assure public sector unions that we will bargain in good faith.

We will be fair to both our employees and to the taxpayers of the province. We will reflect the economic and fiscal circumstances that we face in negotiations and increases to non-bargaining unit staff. While we know there will be challenges, our government firmly believes the best place to meet these challenges is at the bargaining table.

We also want the input of Nova Scotians.

Our government believes that we must work *with* the people of Nova Scotia.

We will open a dialogue with Nova Scotians. And, we will listen.

We will be counting on all Nova Scotians to work with us as we return this province to a sustainable financial path, and from there to the social and economic prosperity that we're all working towards.

Sustainable financial path

À bien des égards, Monsieur le Président, le présent budget marque à la fois un début et une fin.

Il marque la fin de la gestion financière imprudente dont nous avons été témoins au cours des dernières années.

Il marque aussi le début d'une aire de véritable leadership.

In many ways, Mr. Speaker, this budget marks both a beginning and an end.

It ends the imprudent fiscal management we have seen in recent years.

Genuine leadership

It begins an era of genuine leadership.

It brings a time where a thoughtful, steady approach builds strong communities that fuel a more robust economy. Where young people can stay at home and enjoy the quality of life that only Nova Scotia can offer. Where seniors can enjoy the comfort and independence of their own homes longer and where we re-establish this great province as a leader in Canada.

Mr. Speaker, we begin a time that will provide a better deal for families, and a better deal for the future.

Thank you.